

**Testimony of Michael F.A. Morehart
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**Before the Congressional Committee of Government Reform
Subcommittee on Criminal Justice, Drug Policy, and Human Resources**

**"Terrorist Financing and Money Laundering Investigations: Who
Investigates and How Effective are They"
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Good morning, Chairman Souder, Ranking Member Cummings and distinguished members of the committee. On behalf of the Federal Bureau of Investigation (FBI), I would like to thank you for this opportunity to testify before you today. I will discuss the combined efforts of the FBI and its partners in law enforcement, which have resulted in a significant improvement in cooperation and the efficiency with which we interact to address the investigation of money laundering and terrorist financing matters. I will provide as much information as I am able, given the open nature of this forum. I should also caution that long-standing FBI policy prohibits us from commenting on the specifics of ongoing investigations and will therefore not be able to provide the Subcommittee with the operational details of any specific investigation referenced in this testimony.

The FBI's Counterterrorism program has made comprehensive changes in order to meet its primary mission of detecting, disrupting and defeating, or more simply put, preventing terrorist

operations before they occur. We have spent the past two and a half years transforming operations and realigning resources to meet the threats of the post-September 11th environment.

Terrorists, their networks and their support structures require funding in some form to exist and operate. Whether the financial support is minimal or substantial, or whether the funds are derived from illegal narcotics or some other criminal activity, it usually leaves a trail that can be exploited by law enforcement for investigative purposes. Being able to identify and track these financial trails after a terrorist act has occurred is important, but the key to achieving the mission of prevention lies in exploiting financial information to identify previously unknown or undetected terrorists and/or terrorist cells. To this end, the FBI has bolstered its ability to effectively combat terrorism through the formation of the Terrorist Financing Operations Section, or TFOS.

The mission of TFOS includes conducting full financial analysis of terrorist suspects and their financial support structures in the United States and abroad; coordinating joint participation, liaison and outreach efforts to appropriately utilize financial information resources of private, government and foreign entities; utilizing FBI and Legal Attache' expertise to fully exploit financial information from foreign law enforcement, including the overseas deployment of TFOS personnel; working jointly with the intelligence community to fully exploit intelligence to further terrorist investigations; working jointly with prosecutors, law enforcement and regulatory communities; and developing predictive models and conducting data analysis to facilitate the identification of previously unknown terrorist suspects.

In addition, the FBI has undertaken a number of initiatives to improve information sharing and coordination with our national and international partners. For instance, we have significantly increased the number of Joint Terrorism Task Forces, or JTTFs, across the country. Prior to September 11th there were 34 JTTFs in existence, now there are 84.

The JTTFs effectively partner FBI personnel with literally hundreds of investigators from various federal, state and local agencies. The success of the JTTFs lies in the vast and varied expertise of its members' ability to investigate terrorism. These members include representatives from a variety of federal agencies such as the Bureau of Immigration and Customs Enforcement, or ICE, the Internal Revenue Service, the Departments of State, Defense and Treasury, the Postal Inspection Service and the Environmental Protection Agency. It is important to note that every agency has an open-ended invitation to participate in the JTTF. The FBI sends all terrorism leads and terrorism related information directly to the JTTFs. All participating agencies are involved in the investigation of terrorism cases and can use the full resources of the entire task force when required. Moreover, all agencies have full access to each others' information systems and files.

Subsequent to the events of September 11, 2001, the United States Customs Service was mandated to investigate terrorism financing. This was achieved via the initiation of "Operation Green Quest." Green Quest attained a number of successes, but represented, in some measure, a duplicative effort and reinforced the need for a centralized coordinating entity. Consequently, a Memorandum of Agreement (MOA) pertaining to the investigation of terrorism financing was entered into between the Department of Justice (DOJ) and the Department of Homeland Security

(DHS). The MOA addressed the importance of DOJ, FBI and DHS waging a seamless, coordinated law enforcement campaign relative to terrorist financing

The MOA, signed by Attorney General Ashcroft and DHS Secretary Ridge on May 13, 2003, designated the FBI as the lead agency in terrorist financing investigations and operations; thereby enabling DHS to focus its law enforcement activities on other criminal schemes that threaten the integrity of United States financial systems. DHS has implemented “Operation Cornerstone”, led by ICE, to investigate criminals who launder illicit proceeds, to bring them to justice and to help try to eliminate financial infrastructure vulnerabilities. Former US Customs Service "Operation Green Quest" criminal cases having no nexus to terrorism were converted to “Operation Cornerstone,” while those cases having a nexus to terrorism were transitioned to the appropriate JTTF where participating ICE Task Force members continue to play significant roles. In accordance with the MOA, ongoing and future “Operation Cornerstone” investigations that develop links to terrorism will be referred to the FBI through TFOS.

By addressing the need for coordination and recognizing the expertise and strengths of ICE and the FBI, the MOA provides direction and needed coordination in the war on terrorism. The result is the enhanced ability to detect systemic vulnerabilities within the financial framework. Consequently, the financial systems are continually analyzed from a big picture perspective and those exploiting the systemic weaknesses are scrutinized.